

110TH CONGRESS  
2D SESSION

# H. R. 6799

To amend the Internal Revenue Code of 1986 to provide for tax-favored unemployment savings accounts, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

AUGUST 1, 2008

Mr. MCHUGH (for himself and Mr. KUHLMANN of New York) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for tax-favored unemployment savings accounts, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Worker Savings Ac-  
5       count Act of 2008”.

6       **SEC. 2. WORKER SAVINGS ACCOUNTS.**

7       (a) IN GENERAL.—Subpart A of part I of subchapter  
8       D of chapter 1 of the Internal Revenue Code of 1986 (re-  
9       lating to pension, profit-sharing, stock bonus plans, etc.)

1 is amended by inserting after section 408A the following  
2 new section:

3 **“SEC. 408B. WORKER SAVINGS ACCOUNTS.**

4 “(a) IN GENERAL.—

5 “(1) TREATED IN SAME MANNER AS IRA.—Ex-  
6 cept as provided in this section, a worker savings ac-  
7 count shall be treated for purposes of this title in  
8 the same manner as an individual retirement plan.

9 “(2) SEPARATE APPLICATION OF RULES.—

10 Rules made applicable by reason of this paragraph  
11 shall be applied separately with respect to worker  
12 savings accounts and individual retirement plans of  
13 the individual.

14 “(b) WORKER SAVINGS ACCOUNT.—For purposes of  
15 this title, the term ‘worker savings account’ means an indi-  
16 vidual retirement plan (as defined in section 7701(a)(37))  
17 which is designated (in such manner as the Secretary may  
18 prescribe) at the time of establishment of the plan as a  
19 worker savings account.

20 “(c) CONTRIBUTIONS.—

21 “(1) EMPLOYER CONTRIBUTIONS.—For pur-  
22 poses of this section, the amount in effect under sec-  
23 tion 219(b)(5)(A), with respect to an individual for  
24 a taxable year, shall be increased by the lesser of—

25 “(A) \$5,000, or

1           “(B) the amounts contributed for the tax-  
2           able year to the individual’s worker savings ac-  
3           count by all employers of the individual.

4           “(2) WORKER SAVINGS ACCOUNT REFUND PAY-  
5           MENT.—Section 408(a)(1) shall not apply with re-  
6           spect to a payment under section 6431.

7           “(3) CONTRIBUTIONS AFTER RECEIPT OF SO-  
8           CIAL SECURITY BENEFITS.—Except in the case of a  
9           rollover contribution described in subsection (e)(1),  
10          no contributions may be made to an individual’s  
11          worker savings account during calendar years begin-  
12          ning after the first month such individual begins re-  
13          ceiving amounts by reason of entitlement to a  
14          monthly benefit under title II of the Social Security  
15          Act.

16          “(d) TREATMENT OF DISTRIBUTIONS.—

17               “(1) IN GENERAL.—Any amounts distributed  
18               from a worker savings account shall be included in  
19               gross income, unless such amount is a qualified un-  
20               employment distribution.

21               “(2) QUALIFIED UNEMPLOYMENT DISTRIBUTION.—For purposes of this section—

23                       “(A) IN GENERAL.—The term ‘qualified  
24                       unemployment distribution’ means any amount  
25                       distributed—

1 “(i) during a period of unemployment  
2 of the account beneficiary which is by rea-  
3 son of termination of employment (other  
4 than for gross misconduct of the account  
5 beneficiary), or

6 “(ii) not earlier than the first month  
7 the account beneficiary receives an amount  
8 by reason of entitlement to a monthly ben-  
9 efit under title II of the Social Security  
10 Act.

11 “(3) DISABILITY DISTRIBUTION.—Paragraph  
12 (1) shall not apply to any amount paid or distrib-  
13 uted on or after disability (within the meaning of  
14 section 72(m)(7)) of the account beneficiary.

15 “(4) OTHER DISTRIBUTION RULES.—

16 “(A) EXCESS CONTRIBUTIONS; TRANSFER  
17 OF ACCOUNT INCIDENT TO DIVORCE.—Rules  
18 similar to the rules of paragraphs (4) through  
19 (6) of section 408(d) shall apply for purposes of  
20 this section.

21 “(B) NO MINIMUM DISTRIBUTION RE-  
22 QUIREMENT PRIOR TO DEATH.—Notwith-  
23 standing subsections (a)(6) and (b)(6), section  
24 401(a)(9) and the incidental death benefit re-

1           requirement of section 401(a) shall not apply for  
2           purposes of this subsection.

3           “(C) TREATMENT AFTER DEATH OF AC-  
4           COUNT BENEFICIARY.—Rules similar to the  
5           rules of paragraph (8) of section 223(f) shall  
6           apply for purposes of this section.

7           “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
8           poses of this section—

9           “(1) ROLLOVER CONTRIBUTIONS.—An amount  
10          is described in this paragraph as a rollover contribu-  
11          tion if it meets the requirements of clauses (i) and  
12          (ii).

13          “(A) IN GENERAL.—Paragraph (1) shall  
14          not apply to any amount paid or distributed  
15          from a worker savings account to the account  
16          holder to the extent—

17                 “(i) the entire amount received is paid  
18                 into a worker savings account for the ben-  
19                 efit of such holder not later than the 60th  
20                 day after the day on which the holder re-  
21                 ceives the payment or distribution, or

22                 “(ii) the entire amount received is  
23                 paid into an eligible retirement plan (as  
24                 defined in section 408(d)(3)) for the ben-  
25                 efit of such holder not later than the 60th

1 day after the day on which the holder re-  
2 ceives the payment or distribution, except  
3 that the maximum amount which may be  
4 paid into such plan may not exceed the  
5 portion of the amount received which is in-  
6 cludible in gross income (determined with-  
7 out regard to this paragraph).

8 “(B) LIMITATION.—This paragraph shall  
9 not apply to any amount described in para-  
10 graph (A) received by an individual from a  
11 worker savings account if, at any time during  
12 the 1-year period ending on the day of such re-  
13 ceipt, such individual received any other amount  
14 described in subparagraph (A) from a worker  
15 savings account which was not includible in the  
16 individual’s gross income because of the appli-  
17 cation of this paragraph.

18 “(2) ACCOUNT BENEFICIARY.—The term ‘ac-  
19 count beneficiary’ means the individual on whose be-  
20 half the worker savings account is established.

21 “(f) INFLATION ADJUSTMENT.—In the case of any  
22 taxable year beginning in a calendar year after 2009, the  
23 dollar amount contained in subsection (c)(1) shall be in-  
24 creased by an amount equal to—

25 “(1) such dollar amount, multiplied by

1 “(2) the cost-of-living adjustment determined  
 2 under section 1(f)(3) for the calendar year in which  
 3 the taxable year begins, determined by substituting  
 4 ‘calendar year 2008’ for ‘calendar year 1992’ in sub-  
 5 paragraph (B) thereof.

6 Any increase determined under the preceding sentence  
 7 shall be rounded to the nearest multiple of \$100.”.

8 (b) CLERICAL AMENDMENT.—The table of sections  
 9 for subpart A of part I of subchapter D of chapter 1 of  
 10 such Code is amended by inserting after the item relating  
 11 to section 408A the following new item:

“Sec. 408B. Worker savings accounts.”.

12 (c) EFFECTIVE DATE.—The amendments made by  
 13 this section shall apply to taxable years beginning after  
 14 December 31, 2008.

15 **SEC. 3. PORTION OF SAVER’S CREDIT REFUNDABLE.**

16 (a) IN GENERAL.—Section 25B of such Code (relat-  
 17 ing to elective deferrals and IRA contributions by certain  
 18 individuals) is amended by adding at the end the following  
 19 new subsection:

20 “(h) PORTION OF CREDIT REFUNDABLE.—

21 “(1) IN GENERAL.—The aggregate credits al-  
 22 lowed to a taxpayer under subpart C shall be in-  
 23 creased by the lesser of—

24 “(A) \$1,000, or

1           “(B) the amount of the credit attributable  
 2           to qualified retirement savings contributions  
 3           made by the individual to worker savings ac-  
 4           counts which would be allowed under this sec-  
 5           tion (without regard to this subsection and the  
 6           limitation under section 26(a)(2) or subsection  
 7           (g), as the case may be).

8   The amount of the credit allowed under this subsection  
 9   shall not be treated as a credit allowed under this subpart  
 10   and shall reduce the amount of credit otherwise allowable  
 11   under subsection (a) without regard to section 26(a)(2)  
 12   or subsection (g), as the case may be.

13           “(2) LIMITATION.—The amount of the credit  
 14           allowed under this section for any taxable year shall  
 15           not exceed an amount equal to the excess (if any)  
 16           of—

17           “(A) \$5,000, over

18           “(B) the aggregate amount of credits al-  
 19           lowed under this subsection for all prior taxable  
 20           years.

21           “(3) INFLATION ADJUSTMENT.—In the case of  
 22           any taxable year beginning in a calendar year after  
 23           2009, each of the dollar amounts contained in para-  
 24           graphs (1) and (2) shall be increased by an amount  
 25           equal to—



1 “(A) such dollar amount, multiplied by

2 “(B) the cost-of-living adjustment deter-  
 3 mined under section 1(f)(3) for the calendar  
 4 year in which the taxable year begins, deter-  
 5 mined by substituting ‘calendar year 2008’ for  
 6 ‘calendar year 1992’ in subparagraph (B)  
 7 thereof.

8 Any increase determined under the preceding sen-  
 9 tence shall be rounded to the nearest multiple of  
 10 \$100.”.

11 (b) REFUND PAYABLE TO WORKER SAVINGS AC-  
 12 COUNT.—

13 (1) IN GENERAL.—Subchapter B of chapter 65  
 14 of the Internal Revenue Code of 1986 is amended by  
 15 adding at the end the following new section:

16 **“SEC. 6431. WORKER SAVINGS ACCOUNT REFUND PAY-**  
 17 **MENT.**

18 “(a) IN GENERAL.—In the case of a credit allowed  
 19 to an individual which is attributable to an increase under  
 20 section 25B(h), the Secretary shall pay the amount of  
 21 such credit into the designated retirement account of the  
 22 individual.

23 “(b) DESIGNATED RETIREMENT ACCOUNT.—The  
 24 term ‘designated retirement account’ means any worker  
 25 savings account of the individual—

(2) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 65 of such Code is amended by adding at the end the following new item:

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

16 No provision of this Act (including the amendments  
17 made thereby) shall be construed to—

(2) reduce the amount of unemployment compensation (as defined in section 85(b) of the Internal

- 1 Revenue Code of 1986) to which an individual is en-
- 2 titled.

